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SUBJECT: FY05 SPECIAL SELF-HELP (SSH) FUNDING REQUEST - MOZAMBIQUE

REF: STATE 06604

1. Post requests USD 65,000 for the Ambassador's Special Self-Help Fund in FY05.

2. Mozambique has experienced rapid economic growth for the past decade, registering an 8-10% increase in GDP per year. Further, the country's lead political parties, Frelimo and Renamo, on opposite sides during a devastating civil war that ended in 1992, have since competed largely peacefully in three general elections for the presidency and seats in the National Assembly. These achievements deem Mozambique an African success story, economically and politically. However, a sharp dichotomy exists, as economic growth has not translated into increased opportunities or significantly improved standards of living for all of the poor, particularly in many rural communities. According to the most recent household survey taken by the Mozambican Ministry of Planning and Finance, fifty-four percent of the population lives below the poverty line, making Mozambique still one of the world's poorest nations. Rural per capita income is estimated at \$70/year in the central and northern provinces. Mozambique ranks at 170 of 175 countries on the 2003 UN Human Development Index. Based on 2002 data, the estimated HIV/AIDS prevalence rate for adults ages 15-49 was 13.6 percent. The population's HIV/AIDS rate continues to rise, with the estimated 2004 prevalence rate at 15 percent among adults ages 15-49. The development corridors, which handle Mozambique's transit and national trade, register HIV/AIDS rates as high as 26.5%. Sixty percent of the adult population is illiterate, with adult women's illiteracy rate at more than 70%. If Mozambique is to truly succeed, the GRM must direct more resources to development needs and provision of basic services (health, education, water) to its people, especially in rural areas where most of the people reside.

3. The Special Self-Help Fund is critical to the Mission's effectiveness in encouraging the GRM to invest in its people and the advancement of their well-being. In FY04, Post funded twelve projects in the areas of education and socio-economic development. Projects were spread across six of Mozambique's ten provinces. Below is a list of some of the items provided with the funds.

- a health clinic in remote northern Mozambique;
- chemistry, biology, and physics laboratory material to a high school with over 4,000 students;
- irrigation equipment to farmers living in a dry region on the border with Malawi;
- an environmental library in an environmentally-vulnerable area (forestry, coastal resources);
- sewing machines to women's organizations.

Projects are sustainable and benefit communities. Investments in education, health, sanitation, and agricultural capacity have brought groups together, creating critical linkages and supplying communities with vital resources. The Mission's ability to play a role in development and be on the front lines of poverty alleviation for the rural and urban poor sets an example for the government of Mozambique and positively portrays the USG's role in Mozambique.

4. In 2005, the Mission is keen to use SSH projects to support the GRM's poverty reduction strategy (PARPA), approved by the Mozambican Council of Ministers in April 2001. PARPA is the GRM's top national priority through 2005, and supporting PARPA is one of the tactics in the Mission Program Plan. Additionally, aligning SSH projects with GRM priorities will strengthen bilateral relations. This is particularly important in 2005, when a new government under president-elect Armando Guebuza takes office.

5. We request USD 65,000 in funding for the Special Self-Help Fund for 2005. New focal areas will include but not be limited to:

- Women and Girls' Programs Women and young girls are in need of assistance, particularly in rural areas. Post will select projects that will generate income for women's groups. By improving living standards, women will have greater opportunities to succeed in their community and become leaders.
- Agricultural capacity-building - Rural communities must

survive off of their own agricultural production. They frequently need access to inputs and technical training to provide sufficient food for their families. The hope is that resources and training will improve quality of life and encourage farmers to produce and sell, creating small and sustainable business operations. According to the World Bank Report, most Mozambican farmers live on fewer than three hectares of land and only about one in ten is able to sell surplus produce.

16. Maintaining a strong SSH Program for the Mission will demonstrate our continued commitment to help better the well being of Mozambique's people. Local awareness about the SSH process has increased, leading to a steady rise in the number of excellent applications for potential projects. Strengthening the SSH Program is a clear way to show USG support for an African nation that has potential to be a well-rounded success story - economically, politically, and socially.

17. The Self-Help Coordinator is Economic/Political Officer Loren Dent. The Assistant Coordinator is Economic/Commercial Assistant Elizabeth Filipe.
La Lime